



People's Majlis

Committee Minutes

1st Meeting of Economic Affairs Committee

16th February 2014

Chairman speaking:

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ. Assalaamalaikum. Good morning ladies and gentlemen. Welcome to this meeting between the IMF and the economic committee of the Peoples Majlis. I am Hamadhoon Abdulla Hameed. I am you can see from my card I am MP for Iguraidhoo dhaairaa, Dr. Mausoom in my right is the MP for kela constituency and Honorable Hussain Muhammad is the MP for Mathiveri dhaairaa. We are just a small and Mr. Faiz, he is our committee secretary. We are few in number today. Because the Majlis is not in session and lot of our committee MP's are on their own constituency around at the moment. Also some of them probably would be campaigning for their election to the Majlis. I would like to welcome Dr. Koshy Mathai whose is a res rep in Sri Lanka and Maldives. Allison Stuart, deputy division chief Asian Pacific Department. Kirthisry rajatha vijey veera, who is the senior economist. Nickolas Milan, The name is spelt million, Nickolas million economist strategic policy review and manuk Gaazanchian the economist Asia Pacific Department from the IMF. We have been advised by the MMA to that you are keen to meet us and then; I think without much talk from our side initially you would like to make your initial words first and then we will take up from there. I understand that we have time till 10 o'clock which leaves about 14 minutes. In the meantime coffee is there. Please feel free to help you serve yourself. Thank you very much once again.

IMF Mission Chief Koshy Mathai speaking:

Thank you very much for the kind welcome and thank you especially for coming in during your recess. I know it's not a convenient time. We appreciate you are making the time. You know the team members. I should say please; I am Koshy Mathai. I'm the mission chief for Maldives from Sri Lank from IMF. I wanted to say that this I have been working on Maldives for the last four years. So now I am coming to the end of my time. Allison will be taking over from May as of the next trip. The card I gave you I am afraid of is old card. I was res rep in Sri Lank and Maldives until the end of December. But I have now been send back to Washington part of a normal rotation. And I am actually going to work on Mongolia and China at this point so different division with the same department. But I am happy to be here one last time. The IMF as you knows we have met with you several times in the past. I haven't but I know Rajeev and others have. As you know the IMF at least once or twice a year comes to each member country and visits and tries to find out what's happening, has discussions with the government and the private sector as well and office opinions on our views on economic policies. We have an exercise once a year which is called article 4 consultations, article 4 of our articles of agreement say that each member should accept a visit from the IMF once a year and a have full ranging discussion of what's happening in the economy and exchange ideas about policies. We are not on that visit right now. That's a more formal exercise where we right up a report usually we have some interaction with the press. We submit that report to our

board as a discussion of all the directors at the board who represents governments of all the member countries. And usually that report than gets published as well. As I said we are not doing that exercise now, this is much more informal affair just one week visit meant as a fact finding visit. Preparations for the articles 4 which could come up in a few months time may be mayors or something like that. So really we are not here in prescript mode at all. You are not going to hear me do this do that not at all. We are here with open years to learn little bit more about the economy. And we have been coming for a while, but we found on this trip particularly that we have learned a lot of new things about how the economy works. One thing that has surprised us throughout you would know from your previous interactions with us we are always worried about the state of the economies saying that the fiscal deficit is too large, the results that the MMA are too low, things are very risky. But one way or the other the economy has showed surprising resilience. We haven't seen anything I mean people can complain about how things are happening. But basically things have been happening. And when I visit I do in to the shops and the store shows a stock with a wide range of goods. I see people carrying you know all nice phones and driving new vehicles and going on travels. Even though the results in the MMA seem to be quite low the important need to the countries seems to be satisfied. So that's a basic puzzle that we have had and we wanted to come here and have a set of discussions with people about it. As I said we are not really in a position to come to any conclusions yet. We have just had a few days of meetings, two or three days of meetings. So we are now going to go back to Washington and think and see what it all means. So our main purpose here really was to ask you what you're concerns are about the economy, what you see is the main issues, what the main priorities are for Majlis and the economic arena in the next few months and next few years.

Chairman speaking:

Ok thank you Dr. Koshy for the positive comments on what you have observed in your short missions so far. Coincidentally the three of us have been I think, I am sure interactive with the IMF missions previously in our formal capacities Dr. Mausoom was a minister for tourism and later environment earlier in the previous government. And Mr. Hussain Mohamed was a deputy minister in education and also in other portfolios later on. I was minister for planning. And we have been had; we have had a lot of missions across the years with the IMF and most of the time we end up with two different views. But then that doesn't count yet. I think one of the basic things we want set out here is that the economy of the Maldives is not a text book economy. And that is something that sometimes the, we find difficult to explain or I would say clarify or make the mission team understand. And this only as you see statistically or when you look at the figures in an analytical point of view you try to see you know very uneconomic really you know in almost shock or paralysis. The tendency is that our economy or our

audition making is fairly versatile I'll say. And its quick measures of can be taken at crucial times and most of the time we just make the fine adjustments quite late I would say when you now quite lot of advice has come and gone and we do that. But we have I think made adjustments and currently we are in, again in a transitions stage. In transition stage it says that not just that change of government but the change of economic policy is also there. So you will see that from some of the work that the government has already started and also what the Majlis has done out of session in the past month also where we were re-convince the out of session and pass some revenue bills that were immediately needed by the government. Overall we, I think the, you had your discussions with quite other people the MMA would have given you I believe the solid background. I don't know whether you have met the finance ministry or minister just yet. What as a MP's here and the other economic committee here can assure you is that we have a given full corporation to all governments. We have this is the 3rd government that our over session is seen. And we have despite you know the debates on the flow which is a mostly out the general public and caters to that. The economic committee has been, I would say the economic committee and the other committees especially those that are making key financially decisions is been given lot of support to whatever major policies of the government and we have seen the I would say ultimately the good will of the total Majlis insuring that the at least the country goes on with the business as usual is the larger economic policy that comes in the debate. And if you know one of my colleagues or either of my colleagues want to add on that on general wording, word I would like to give them the opportunity what we can says that our committee has work quite fast and in making the amendments proposed amendments or kind ensuring that the new bills are passed technically not in time but almost you know as much as fast as we can do. And we are fairly happy with the corporation we get within the committee despite the committee itself being represented with the majority minority different party, political views. Overall I think we have been able to deliver. Especially you know during the last budget exercise which concurrently actually constantly came this is a, last year's or this year's budget was initially proposed by the former government. But by the time the Majlis had debate on the budget started the government had changed. And what we the budget committee comprises of public accounts committee and the economic committee these two committees combined to become the budget analysis committee. So what the budget committee did at the outside, both the new coalition members and the opposition members. But we agreed was that the government, the new government should review the budget according to their policies and resubmit it. So when the government resubmitted it we did you know fairly extensive bit of work and managed to pass you know pass the budget without much difference's think there was a slit increase. That will earlier was totally government funded. Then it was partially funded. Now it's up to you know the people themselves sometimes to do that. So this is a case here, but wage bill or the government employees and

the other the government payee will where for example the MP's themselves. If you have look at the MP's wage also you will find that there is own and discrepancies. So intend of the structure is such that the Majlis pushes it, the all candidates push it, and the commissioners push it. So it's unless you are prepared a certain government has prepared to be very unpopular and very kind of physically I would say hard line we will not be able to, but in this at the same time the open, or the income, the new income opportunities that are been opened up and I think the youth that are will hopefully come into employment new opportunities with their own entrepreneurship as well as their professional development hopefully will be adding onto to the general revenue. The, another paddocks is that we are all MP's sitting in a representing various size of Islands. There are MP's that who represent very small numbers of people, and there are MP's who represent large numbers of people the large size. So when you want kind of agree on a bare minimum, the bare minimum will tend to be you know quite high where you have to make ensure that even the smallest of Islands get kind of involved in a whatever packages that, you can't afford or outs across the country we can't say that any people living in more populous island should be getting a better benefits than the one which are the smallest population you have to come at a kind of one rule across the board. And that tends to push everything up high. You also have the problem with you know between what's the sharp division difference between the presidential system and the parliamentary system. These are presidential system, but with the parliament kind of deciding on who's going to be in the cabinet or not technically. So that's you have all of these things that can to look, tend to kind of so complete. I would say it tends kind of slow down of lot of decisions. But the decisions are been taken in the right manner and the more negotiations we have within the cabinets and the cabinet members and the MP's I think that tends to work out. When you look at the state wage policy bill is still again, is it still, we were, the Majlis has passed it twice, but there is now its come back to the committee with a slight revision will be again sending it back. The sole-proprietorship bill is on also the same we passed it twice and we got it back again. The mortgage act has is currently you know in a redraft stage and the committee is working on it we will hopefully finish in it I think within the next session. The banking act amendment is at the stake holder comment level. Vacation home bill and the compulsory find on the due payments and the restriction of calls for tourism boycott bill. These are bills that are pending here within the committee. Overall we have had a quite good progress within the committee we tend to, I think we just have a very few bills that are pending and we can, I can definitely assure that the government will not be I would say held a hostage because of a certain bill is not passed. We will ensure that we are negotiating. Then the committee gives that co-operation. We have half; it is a half committee itself technically. Like, dislike yeah, this committee itself is you know just one word changes can tilt it. So, now there is so, but ultimately we have a good round negotiation and the MP's given right now on the opposition have been quite forth

coming. But this will change probably when the new Majlis comes in it will take a while for the Majlis the MP's also to get you know on speaking times probably. And so the in general by the time when the article four consultation and the mission comes in the picture will be I would say quite the political picture itself will be a bit different you will know you will have the parliament will be I think almost ready or heads the new Majlis would start and the government would have I think already gone into new economic policies measures. This new government has I would say a large economic agenda. It came in to power with an economic agenda with new income measures and also with a large focus on youth employment and so on. I would say the next five years hopefully for you know we get a favorable parliament, at least a cooperated parliament we will be able to do a lot of work on that. And the current president himself was you know in the economic sector, former trade minister also, and I believe the current government has a larger number of economically I would say targeted people than some of the previous governments. Thank you very much, it was a good interactive meeting and if you have anything to add before we conclude I would to stop until.

IMF Mission Chief Koshy Mathai speaking:

Maybe I could make one additional comment and maybe I could then invite Allison to make a statement if she feels so in client. There is one other issue in the fiscal area which is the whole area public financial management. That's a broad terms that comes many things budget preparation, realism of the budget estimates, budget execution, systems for registering commitments and not only cash expenditures but knowing what commitments for expenditure and had been incurred, monitoring payment areas and making sure that they don't accumulate very high levels. And I guess these are functions that in some cases just need more resources in the ministry of finance, I mean where we talk about the current expenditure going up here I am saying here is an area where maybe there is a need for more financial controller's office, accounting department, also the Auditor General's Office as well. In when all countries there are difficulties with the account and with the budget estimates that's a standard thing. But here really the discrepancies are a very big. I mean we usually go to a country and maybe the government says that the deficit will be 2% of GDP and we say no it will be one and half percent. There might be small differences. Here we have radically different views and sometimes that is because this is just like of a data. For instance I think it is very unclear right now what the stock of government areas are to state enterprises and to the private sector. We just don't know, I don't think the government also has a firm handle on it. And to the extant your committee can help support I felt to fix that. That would be a great contribution.

Chairman speaking:

I think we were actually proactively also the committee had done quite lot, I mean individually MP's have submitted the amendments and bills and so on. The fiscal responsibility act has already been passed and it's with the government to be implementing it. No, it has not been sent by. Yeah, it's been passed right before, and it's up to the government to start implementing it. Budget preparation I think we have a lot of criticism on that. As MP's as former professionals we have criticism on how the budget has been prepared in the last few years. Been a former planning minister and also referring to the fact that we were involved in development of the budget, the planning ministry, in the previous planning ministry during its existence was involved in a preparing the development budget where as the finance ministry does only the recurrent budget and it's these two ministries that kind of in a way negotiate and finalize on what the development budget proportion is what the recurrent budget proportion is. In November 2008 I was the last planning minister, so the planning ministry was dissolved and the department was formed and it was put under the finance ministry. Which I would have technically not approved because you have one the regulator itself and the development planner itself all in the same pass. So ultimately the work of, that the specific work of the development planning department was went into I think receded and was hide lined and you tend to kind of deal with only day to day for immediate needs. And so we have seen it happening from I think sixty to, the recurrent percentage has been growing up to eighty four which we would not have earlier you know allowed or agreed upon. And also there is a little I think coordination between the different ministries as now because there is no coordinating agency at the moment. Each ministry will send their own budget requirements to the directly to the finance ministry and they will have juggle all of that at the same time. And besides that when the budget comes to the committee itself there is I think little time for I would say budget justification just only one single speech that the finance minister makes in the presentation that's all the MP's will have as in relation to what and why the budget is so much and so on, rather if example that exercise had a, and once the budget is pass than there is no interaction in fact we have all the last five years it been asking you know what the budget disbursement is periodically every quarterly how the development projects are been, I would say financed and so on. And we have never, never had, in our last five years we never had good review of the previous year's budget unless we asked for it. And that's only when we get the new budget, like for example you know when in passing this years in 2014 budget, we get the 2014 budget. But then the committee has to kind of in a way push and in a way struggle and get the 2013 performance. So there is no periodic budget review avenue's for the general the budget members. We've been asked, we ask for it as a chair and member of the national development committee also we had several times ask different finance ministers for in a budget states and ultimately the information the budget disbursement information doesn't come until the new budget is proposed, which is in fact very difficult for what we have been

used to, like for example we do not allocate unless we know how much have been spending in the past. And it is very difficult to go into new, so you have even now I am sure you will have if you analyze the current budget we find that there are cases where you know you have allocated to maybe somewhat projects which are already half ongoing and we don't actually have realistic estimate on that. So that exercise needs to be done and it's the finance ministry that needs really work at this. We had a, how many finance ministers in the last five years? About five I think, yeah, and the current finance minister of course, thrice actually, the current finance minister was Mr. Honorable Jihad was our last finance minister and he was finance minister in the previous regime and he is current, so should have lot of experience I believe. But depends on all the other ministers and then we have the committee been chaired sometimes by former finance minister who had a very different policy, Mr. Qasim Ibrahim was also a finance minister. So you can imagine how and then we are all sitting in some previous ministers sitting in and the previous opponents sitting in another and have been to the finance ministry now? I think the finance ministry lacks only one, maybe you know has already three finance ministers. So you can, alright, ok. Yes it's from 9 to 4. So that's how many tickets of finance ministers. But you can do a lot of complain about, you can tell him specifically if you meet them again and then that the our economic committee was specifically ask believes that the finance ministry should be with more, I think focusing a bit more on proper preparation of the budget. Ultimately the hard fight comes in when you know the, even the finance ministry comes with very reduce budget, because they have a lot of demand from the ministers. Then we understand that. And then when the committees cut on the budget and then they have reduced I think they become fairly unpopular. But I think a better preparation will, and a better I would say marketing of the budget in to the Majlis will be done. If for example the MP's are on hand with you know the current disbursement then I'm sure at the end of the day; you know when the new annual budget is being prepared people would be more understanding rather than you know just asking again whether what has been done than last year. What happened to last year's budget? This is basically what you want to know at the end of the day you know during budget what happen to the last year's allocation. Whether it is all disposed, how much would dispose within have those figures. So this is something that I think we are fairly confident in actually even trilling our colleagues in the finance ministry. Thank you very much.

Deputy Division Chief Asian Pacific Department Allison Stuart speaking:

Thank you very much for your time. I'm very much looking forward to working on Maldives and taking off from Koshy. And I'm very encouraged to here the, your will have similar views on issues and those could cover operations. And I'm looking forward to points which that we come back for the article-4 possibly in May or June and comes a new this discussion and we

look forwards to hearing all your views. And come totally all the differences and all your, I have similar views and then as well. Thank you.

Chairman speaking:

Thank you Allison for your positive interventions and Dr. Koshy enjoyed the discussion we all had. So we were I think have had a good discussion. I hope your consultations in the next few days are productive and that we have a by the time of the article-4 consultations. We have article-4 consultations are not very easy even for the government to at any time I remember that. But I'm sure you will have exciting one in possibly, if you come in June you will probably have the best time then rather than May. Because that kind of face at that time would be with different from May. So we are happy have been of any helping getting your understanding of the whole situation. We hope the corporation between the IMF and the Government than the Parliament will continue in the future. And thank you once again. Thank you very much.
